

Taking Action to Strengthen America's Economy

Today's Presidential Action

- President Bush today announced a growth and jobs plan to strengthen the American economy, and called on Congress to act swiftly to pass it.
- The President's economic agenda has three main goals:
 - Encourage consumer spending that will continue to boost the economic recovery.
 - Promote investment by individuals and businesses that will lead to economic growth and job creation.
 - Deliver critical help to unemployed citizens.
- The President's new proposal would:
 - Speed up the 2001 tax cuts to increase the pace of the recovery and job creation.
 - Encourage job-creating investment in America's businesses by ending the double taxation of dividends and giving small businesses incentives to grow.
 - Provide help for unemployed Americans, including extending unemployment benefits and creating new re-employment accounts to help displaced workers get back on the job.
- Who benefits under the President's plan?
 - Everyone who pays taxes—especially middle-income Americans—as tax rate reductions passed by Congress in 2001 are made effective immediately. Middle-income families will receive additional relief from accelerated reduction of the marriage penalty, a faster increase in the child tax credit, and immediate implementation of the new, lower 10 percent tax bracket.
 - Everyone who invests in the stock market and receives dividend income—especially seniors—will benefit from elimination of the double taxation on dividends. About half of all dividend income goes to America's seniors, who often rely on those checks for a steady source of retirement income.
 - Every small business owner who purchases equipment to grow and expand will get assistance through an increase in the expensing limits from \$25,000 to \$75,000.
 - Every worker who has lost his or her job and qualifies for unemployment benefits will get more help, and many will qualify for new, more flexible Personal Re-employment Accounts, which provide a bonus if they find work quickly.
- **Under the President's proposal to speed up tax relief, 92 million taxpayers would receive, on average, a tax cut of \$1,083 in 2003.**
 - 46 million married couples would receive an average tax cut of \$1,716.
 - 34 million families with children would benefit from an average tax cut of \$1,473.
 - 6 million single women with children would receive an average tax cut of \$541.
 - 13 million elderly taxpayers would receive an average tax cut of \$1,384.
 - 23 million small business owners would receive tax cuts averaging \$2,042.

Example:

A typical family of four with two earners making a combined \$39,000 in income will receive a total of \$1,100 in tax relief under the President's plan.

- **According to a projection by the Council of Economic Advisers, the President's plan will help the economy to create 2.1 million jobs over the next three years.**

Making Progress: From Recession to Recovery

- **Since the beginning of his Administration, the President has acted decisively to promote economic growth and job creation.**
 - In 2001, he fulfilled his promise to reduce the tax burden on the American people. This tax relief gave the economy a boost at just the right time—ensuring that the recession was one of the shortest and shallowest in modern American history. These tax cuts worked, and the President will continue to press the Congress to make the cuts—including the end of the death tax—permanent.
 - In 2002, he proposed and signed into law an economic stimulus bill, tough new corporate accountability standards, terrorism insurance legislation to put construction projects back on track, and an historic trade act. All these measures will help our economy as it recovers from the shocks of recession, the attacks of September 11th, and serious abuses of trust by some corporate officials.
- **Today, America's economy is recovering and showing signs of growth.**
 - The country is now in its second year of economic growth.
 - Nationwide, incomes are rising faster than inflation.
 - Interest rates are the lowest in 37 years, and low interest rates have allowed Americans to refinance their homes, adding more than \$100 billion to their pocketbooks and to the economy.
 - The homeownership rate—a central part of the American dream—is 68 percent, close to the highest ever.
 - Productivity of American workers—the most important indicator of our economic strength—went up 5.6 percent over the last four measured quarters, the best since 1973.
 - Our trade with other nations is expanding—bringing the lower prices that come from imports, and the better jobs that come from exports.

More to Do: The President's Agenda to Strengthen America's Economy

- America has the strongest, most resilient economy in the world, yet this economy is not creating enough jobs. We have made great progress, but there is still more work to do.
- The President today proposed a specific agenda to increase the momentum of our economic recovery. The President's proposal would:

Speed up Tax Relief to Speed up the Recovery: The President's proposal builds on the success of the 2001 tax cut. As a result of this law, Americans are due to receive additional tax relief in 2004, and again in 2006. Republicans and Democrats in Congress have already enacted these cuts. The President believes the time to deliver this relief is now – when it can do the most good for families, businesses, and the economy – not years from now.

The President's plan would:

- Make all the tax rate reductions from the 2001 tax law effective this year—and retroactive to January 1, 2003.
- Upon passage, the President will order the Treasury Department to immediately adjust the amount of money withheld for income taxes, so that Americans will keep more of their paychecks right away.
- For income earned after January 1, 2003, the following tax rates would be in effect:
 - 10%
 - 15%
 - 25%
 - 28%
 - 33%
 - 35%

The President's plan would also bring middle-income families additional relief by speeding up three other tax reductions promised in 2001. It would:

- Reduce the marriage penalty this year, instead of waiting until 2009. An estimated 46 million married couples would benefit under the President's plan.
- Raise the child tax credit from \$600 to \$1,000 per child this year, instead of in 2010. That would amount to a \$400 increase per child, and checks would be issued in that amount this year to help parents across America. An estimated 34 million families with children would benefit under the President's plan.
- Move several million working Americans into the lowest tax bracket of 10 percent now instead of waiting until 2008.

[Note: The plan will hold harmless any taxpayer that may be affected by the Alternative Minimum Tax].

Encourage Job-Creating Investment in America's Economy – The President proposed two new steps to encourage individuals and businesses to invest in America's economy.

End the double taxation of dividends

- Roughly 35 million American households receive dividend income that is taxable and will directly benefit under the President's plan. More than half of these dividends go to America's seniors, many of whom rely on these checks for a steady source of income in their retirement.
- Yet seniors and other investors are not getting the full benefit of their investments because those investments are taxed twice. The IRS taxes a company on its profits, then it taxes the investors who receive the profits as dividends. The result is that for every dollar of profit a company could pay out in dividends, as little as 40 cents can actually reach shareholders.
- In practice, double taxation of dividends means that even an investor of modest means is paying a higher tax rate on dividends than wealthy taxpayers pay on their income.
- It is fair to tax a company's profits, and under the President's plan, company profits will still be taxed – but only once. It is not fair to tax this income twice by taxing the shareholder on those same profits. Double taxation is wrong—and it falls hardest on seniors.
- Almost half of all savings from the dividend exclusion under the President's plan would go to taxpayers 65 and older. The average tax savings for the 9.8 million seniors receiving dividends would be \$936.
- The President's plan would eliminate the double taxation of dividends for millions of stockholders – allowing taxpayers to exclude dividend payments from their taxable income – and returning about \$20 billion this year to the economy.

Increase incentives for small businesses to grow

- Small businesses create the majority of new jobs and account for half the output of the economy.
- Current tax laws permit them to write off as expenses up to \$25,000 worth of equipment purchases. The President's plan would increase that limit to \$75,000 and index it to inflation – encouraging them to buy technology, machinery, and other equipment they need to expand.

Help Unemployed Americans Find Work –As we work to encourage long-term growth in the economy, we must not forget men and women struggling today. The President's plan would help the unemployed on two fronts, providing both short-term benefits and long-term opportunity:

Extend unemployment benefits

- Close to 70,000 workers exhaust their unemployment benefits each week and need our help.
- The President's plan calls on Congress to extend unemployment benefits that expired on December 28th and make them retroactive so people who lost benefits in December will receive them in full. The President is calling upon Congress to make helping unemployed Americans a first order of business this year.

Create new Personal Re-employment Accounts

- The President's plan would create Personal Re-employment Accounts, a new, innovative approach to help unemployed Americans find a job.
- These accounts would provide unemployed workers with up to \$3,000 to use for job training, child care, transportation, moving costs, or other expenses associated with finding a new job. A person who gets a job within 13 weeks will be able to keep the leftover funds from their account as a re-employment bonus. This will help them when they are looking for work and give them an incentive to find work faster.
- President Bush proposes giving states \$3.6 billion to fund these accounts. The program would be administered through the One Stop Career Center system and would work through existing state unemployment systems to ensure speedy delivery of benefits.
- Under the President's plan, these accounts would be available to at least 1.2 million Americans.
- Workers would receive these Personal Re-employment Accounts in addition to their regular unemployment benefits.

Turning Recovery into Prosperity

- The President's jobs and growth package will provide \$98 billion of total tax relief over the next 16 months and \$670 billion over the next decade. It will spur real overall economic growth, yet it is disciplined and tailored to address specific challenges.
- The American economy is strong, but it must be stronger. The President's plan is a focused effort designed to remove the obstacles standing in the way of faster growth and greater progress.
- President Bush will not be satisfied until every American who wants a job can find one; until every business has a chance to grow; and until we turn our economic recovery into lasting prosperity that reaches every corner of America.